

# *Audit Report*



## **Administration of Iraq Relief and Reconstruction Fund Contract Files**

**Report Number 05-007**

**April 30, 2005**

**Office of the Special Inspector General for Iraq Reconstruction**

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## **SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION**

April 30, 2005

**MEMORANDUM FOR COMMANDER, JOINT CONTRACTING COMMAND - IRAQ  
DIRECTOR, PROJECT AND CONTRACTING OFFICE - IRAQ**

**SUBJECT: Administration of Iraq Relief and Reconstruction Fund Contract Files  
(Report No. 05-007)**

We are providing this audit report for your information and use. We performed the audit in accordance with our statutory duties contained in Public Law 108-106, as amended, which mandates the independent and objective conduct of audits relating to the programs and operations funded with amounts appropriated or otherwise made available to the Iraq Relief and Reconstruction Fund. Public Law 108-106, as amended, requires that we provide for the independent and objective leadership and coordination of and recommendations on policies designed to promote economy, efficiency, and effectiveness in the administration of such programs and operations and to prevent and detect waste, fraud, and abuse.

We considered management comments on a draft of this report when preparing the final report. Comments on the draft of this report conformed to requirements and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. James P. Mitchell at [jim.mitchell@sigir.mil](mailto:jim.mitchell@sigir.mil) or at (703) 428-1100. For the report distribution, see Appendix F.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." with a stylized flourish at the end.

Stuart W. Bowen, Jr.  
Inspector General  
Sincerely,

# Office of the Special Inspector General for Iraq Reconstruction

**Report Number 05-007**

(Project No. D2004-DCPAAF-0037)

**April 30, 2005**

## **Administration of Iraq Relief and Reconstruction Fund Contract Files**

### **Executive Summary**

**Introduction.** This audit report discusses contract administration provided by the Project and Contracting Office (PCO) for contracts awarded for security, relief, rehabilitation and reconstruction projects that are funded with the Iraq Relief and Reconstruction Fund (IRRF).

Title II of Public Law 108-106, "Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004," authorized \$18.4 billion for security, relief, rehabilitation and reconstruction projects in Iraq funded through the IRRF.

**Objective.** The audit objective was to evaluate whether contracts awarded by the PCO for Iraq relief and reconstruction efforts contain adequately prepared statements of work, clearly negotiated contract terms, and specific contract deliverables. The audit included an evaluation of the administrative processes and controls related to contract execution, distribution, reporting, and disposition of files by the PCO for reconstruction projects in Iraq.

**Results.** The 37 contracts and associated contract files we reviewed at PCO, valued at more than \$184 million, were not being adequately maintained to fully support transactions relating to the performance of contract administration processes. Further, the PCO could not produce 21 percent, or 10 of the 48 randomly selected contract files for review. The PCO generally awarded contracts that contained adequately prepared statements of work, specific contract deliverables, and clearly negotiated contract terms. However, the audit identified significant deficiencies in contract administration processes and controls. Consequently, there was no assurance that the contract file data was available, complete, consistent, and reliable or that it could be used to effectively monitor and report the status of contracted project activity for the IRRF.

**Material Management Control Weaknesses.** The audit identified material management control weaknesses in the administration of contract files. Consequently, there was no assurance that fraud, waste, and abuse did not occur in the management and administration of IRRF contracts.

**Management Actions.** During our review, PCO officials directed all contracting personnel to search for all contract files and properly label and file them. Because management actions were still ongoing when our audit work concluded, we could not assess the effectiveness of those actions.

**Recommendations.** We recommend that the Commander, Joint Contracting Command - Iraq, or Director, Project and Contracting Office, respectively:

- Ensure that hardcopy and electronic contract files are properly maintained.
- Develop and implement transitional operating procedures between departing and successor contracting officers.
- Establish a public email account to electronically access contract solicitation information.
- Ensure a reliable network server.
- Implement the Standard Procurement System.
- Correct duplicate contract award numbers.
- Verify and correct all reported deficiencies.

**Management Comments and Audit Response.** The original recommendations in the draft of this report were directed to the Director, PCO. However, the Commander, Joint Contracting Command - Iraq (JCC-I) and the Director, PCO have each responded to the draft of this report. This occurred because of organizational changes that have redefined IRRF contracting responsibilities since the performance of this audit, including moving the Head of Contracting Activity function from the PCO to the JCC-I. As such, the recommendations were redirected to include both officials. Suggestions made in the management comments to clarify findings regarding support provided by other organizations were considered and made. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the Commander, JCC-I and the Director, PCO comments.

The Director, PCO concurred with the audit finding and recommendations relating to the public email account and network server and took actions to correct the reported deficiencies. The Commander, JCC-I concurred with the audit finding and recommendations not addressed by the Director, PCO. The Commander, JCC-I states that actions are underway to address the recommendations of our report. The management comments from both organizations are fully responsive.

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# Introduction

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## Background

This audit report discusses contract administration provided by the Project and Contracting Office (PCO) for contracts awarded for security, relief, rehabilitation and reconstruction projects that are funded with the Iraq Relief and Reconstruction Fund (IRRF).

Public Law 108-106, as amended, required the maintenance of records on the use of IRRF to facilitate future audits and investigations of the use of such funds. This report is one in a series to determine whether U.S. organizations have established adequate requirements, systems, and processes to manage and maintain records to facilitate future audits and investigations of the identification and use of IRRF funds.

**Reconstruction Program.** Title II of Public Law 108-106, “Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004,” authorized \$18.4 billion for security, relief, rehabilitation and reconstruction projects in Iraq funded through the IRRF. The Project Management Office was established to execute the Iraq infrastructure reconstruction program. The Project Management Office initially identified over 5,000 Iraq infrastructure reconstruction projects. Of those, 2,311 projects were funded through the IRRF.

**Project Management Office.** The Coalition Provisional Authority was the authority responsible for the temporary governance of Iraq through June 28, 2004. Thereafter, the Iraqi Interim Government was the authority responsible for the governance of Iraq. The Project Management Office, as part of the Coalition Provisional Authority, ceased to exist on June 28, 2004, and the PCO was established to replace the Project Management Office. For a description of the establishment of the PCO and the Head of the Project and Contracting Office Contracting Activity (PCO CA) structure, see Appendix C.

**Federal Acquisition Regulation.** Federal Acquisition Regulation, Part 4, Administrative Matters, sets specific requirements for executive agencies to establish, maintain, and report unclassified records and procurements in excess of \$25,000. Every contract, purchase order, basic ordering agreement, basic agreement, and blanket purchase agreement is required to have a unique Procurement Instrument Identifier in the system. Further, the Federal Acquisition Regulation provides guidelines for the type of documentation that should be evident in the government contract files, to ensure a complete history of each transaction.

**Standard Operating Procedures–Contracting Activity 2004.** The PCO CA Standard Operating Procedures–Contracting Activity 2004 (SOP-CA 2004) establishes standard procedures and policies that apply to all contracting personnel assigned to the Contracting Activity. It identifies the organization structure and defines responsibilities. The SOP-CA 2004 stresses the importance of proper contract file management and maintenance to justify the contracting officer’s actions regarding procurement activities. The SOP-CA 2004 establishes the minimum documentation requirements for contract files.

## **Objective**

The audit objective was to evaluate whether contracts awarded by the PCO for Iraq relief and reconstruction efforts contain adequately prepared statements of work, clearly negotiated contract terms, and specific contract deliverables. The audit included an evaluation of the administrative processes and controls related to contract execution, distribution, reporting, and disposition of files by the PCO for reconstruction projects in Iraq.

For a discussion of the audit scope, methodology, and a summary of prior coverage, see Appendix A. For other matters of interest, see Appendix B. For definitions of the acronyms used in this report, see Appendix E. For a list of the audit team members, see Appendix G.



## Contract File Administration

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The 37 contracts and associated contract files we reviewed at PCO CA, valued at more than \$184 million, were not being adequately maintained to fully support transactions relating to the performance of contract administration processes. Further, the PCO CA could not produce 21 percent, or 10 of the 48 randomly selected contract files for review.

These conditions occurred because the PCO CA did not establish adequate administrative processes, controls, or capabilities to properly maintain contract files, as specified in SOP-CA 2004. Specifically:

- The PCO CA did not properly maintain hardcopy or electronic contract files in a standard or business manner in accordance with the requirements of SOP-CA 2004. Consequently, files were unavailable, incomplete, inconsistent, and unreliable.
- There were no transition processes or procedures in place to ensure that departing contracting personnel transitioned workload to successor personnel. As a result, this prevented the effective continuity of contract administration when each tour-of-duty expired.
- A public email account was not established. As such, successor contracting officers could not access proposal submissions directed to the previous contracting officer when staffing rotations occurred.
- A reliable network server was not provided. Therefore, the requirements for electronic storage and communications for contract administration were not fully supported.
- The Standard Procurement System (SPS) was not implemented. Consequently, contracting officers were unable to perform their contract administration duties in a streamlined, integrated, and automated manner.
- Records identification controls were inadequate. As a result, we could not rely on the accuracy of data contained in the PCO CA contracting actions database.

The PCO CA generally awarded contracts that contained adequately prepared statements of work (SOWs), specific contract deliverables, and clearly negotiated contract terms. However, the audit identified significant deficiencies in contract administration processes and controls. Consequently, there was no assurance that the contract file data was available, complete, consistent, and reliable or that it could be used to effectively monitor and report the status of contracted project activity for the IRRF.

## Maintenance of Contract Files

The 37 contracts and associated contract files we reviewed at PCO CA, valued at more than \$184 million, were not being adequately maintained to fully support transactions relating to the performance of contract administration processes. This condition occurred because the PCO CA did not establish adequate administrative processes, controls, or capabilities to properly maintain contract files, as specified in SOP-CA 2004. Specifically, the PCO CA did not properly maintain hardcopy or electronic contract files in a standard or business manner in accordance with the requirements of SOP-CA 2004.

**Contract File Completeness.** Hardcopy and electronic contract files were not being adequately maintained to ensure the reliability or completeness of contract documentation. We found the contract files to be sparse, missing and incomplete. Our review of 37 contract files disclosed that 18 lacked adequate documentation (some contract files had two or more instances of inadequate documentation).<sup>1</sup> For our evaluation, we used 7 of 13 file content documents that were listed as minimum requirements for inclusion in contract files by SOP-CA 2004. For a list of the contract files reviewed, see Appendix D.

We identified seven contract files that did not include a signed copy of the contract award. For example, in one case, the contract file contained a September 9, 2004, memorandum for the record, stating that a customer had come to the PCO CA asking questions about the preparation of forms required for payment. Contracting personnel discovered that they had no hard or electronic copy of the contract in their files. According to the memorandum, the PCO CA had to obtain a copy of the contract from the customer, so that payment could be made in a timely manner. However, because the customer did not provide a complete copy of the contract to the PCO CA, the file remained incomplete, containing only 2 pages of the contract, 3 copies of contractor-submitted invoices, and a material inspection and receiving report.

During our review, we were unable to determine whether 6 of the 37 sampled files required justification and approval documents, in accordance with SOP-CA 2004 because the contract files lacked sufficient documentation to determine whether a contract was competitively awarded or sole source.

The following table shows the documentation we selected in determining file completeness and the results of our review of the contract file completeness.

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<sup>1</sup> Federal Acquisition Regulation, Part 4, Administrative Matters, states that files must be maintained at organizational levels that ensure effective documentation of contract actions, and SOP-CA 2004 stipulates, at a minimum, 13 requirements of a contract file.

<b>Results of Document Completeness Evaluations for 37 Contract Files</b>			
	<b>Documentation</b>		
<b>SOP-CA 2004 File Content Requirement</b>	<b>Adequate</b>	<b>Inadequate</b>	<b>Not Applicable</b>
One signed copy of the contract	30	7	0
Performance Evaluation criteria	28	8	1
Source selection plan (if appropriate)	14	2	21
Purchase request or other certifying document.	24	13	0
Justification and approval, if not competitive award *	1	0	30
Evidence of Competition	27	9	1
Solicitation and all amendments	29	7	1

**\*Note: Applicability of requirement could not be determined for 6 files.**

**Hardcopy File Maintenance.** The PCO CA did not properly maintain hardcopy contract files in a standard or business manner in accordance with the requirements of SOP-CA 2004 to ensure the availability, completeness, consistency, or reliability of contract documentation. We found the contract files to be in disarray.

Although the files were arranged by various PCO sectors<sup>2</sup>, our examination of the files during September 12 through 18, 2004, disclosed a disorganized filing system. Specifically, contract files were:

- placed randomly in the file drawers
- not in numerical order
- co-mingled with open, closed, and cancelled contract folders in the same file drawers

In one case, two different contracts were co-mingled in the same contract folder. Also, files found within the file cabinets were not always the files that were indicated on the label affixed to the outside of the file drawer. As a result, the unorganized files contributed directly to a lack of assurance that contract files can be located or retrieved on a consistent or recurring basis.

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<sup>2</sup> For description of sectors, see Appendix C.

**Electronic File Folder Maintenance.** The PCO CA did not properly maintain electronic contract files in a standard or business manner in accordance with the requirements of SOP-CA 2004 to ensure the availability, completeness, consistency, or reliability of contract documentation. We found the files to be haphazardly arranged and incomplete.

In addition, the files contained documents unrelated to the contract identified for the folder. The PCO CA contracting officers did not properly maintain electronic contract documents in the appropriate PCO sector-based file folders to ensure the consistency, completeness, or availability of required electronic contract records. The PCO CA contracting officers were required to maintain standard electronic file folders for each of the six PCO sectors. These folders should have contained subfolders for filing documents in accordance with the specifications of the SOP-CA 2004.<sup>3</sup>

During our search for the missing contract files, we found some of those documents filed in electronic folders other than those set up for the sectors. The extraneous folders were labeled as Contracting Officer, Construction, and Non-Construction. The SOP-CA 2004 does not identify these non-standard folders, and therefore, provides no filing expectations relating to the use of these folders by the contracting officers.

However, we found examples of contracting officers filing the same type of contract document in any combination of contracting officer folders, construction subfolders, non-construction subfolders, or wrong sector folders or subfolders.

Specifically, our review of the content of electronic contract file folders and subfolders identified these instances of noncompliance:

- A contract folder labeled for the procurement of railroad-related articles also contained an acquisition plan document for weapons and ammunition.
- Some contract folders did not contain subfolders as required. Instead, pre-award and post-award documents were co-mingled with task order and delivery order documents.
- Some folders and subfolders contained incomplete documentation, such as missing solicitations, purchase requests and commitment, and availability of funds documents. These start-up contract documents should have been filed to support the subsequent disbursement documentation that was filed in the folders.

As a result of this non-standardized filing practice, locating specific contract file documents was made extremely time-consuming and difficult.

## **Administrative Processes**

The PCO CA could not produce 10 of the 48 (21 percent) randomly selected contract files that we requested on September 13, 2004. The PCO CA assigned one of its contracting personnel to search and retrieve the listed contracts from the electronic files. On October 5, 2004, after obtaining less than half of the 48 requested files, we met with the PCO CA Director, Program Support Division, and provided a list of the files that had not been produced. One file was subsequently located with PCO legal counsel due to a

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<sup>3</sup> SOP-CA 2004 requires contracting officers to file electronic files in a folder entitled Contract Files, with the following schematic: Subfolder Sector/Fund Source/Contract No., located on the Contracting Activity shared drive. SOP-CA 2004 explains that the contract folder should contain these subfolders: Pre-Award File, Post Award, Correspondence, and Task Order / Delivery Order.

contract protest, and was removed from our list of sample files to review. After searching further, the PCO CA provided 37 of the 47 remaining requested files, but was unable to locate the 10 outstanding contract files by the end of our audit fieldwork on October 30, 2004. As a result, it took approximately 6 weeks to obtain the 37 files.<sup>4</sup>

This condition occurred because the PCO CA did not establish adequate administrative processes, controls, or capabilities to properly maintain contract files, as specified in SOP-CA 2004. Specifically:

- transition procedures to ensure that contracting personnel provided a complete accounting and transfer of their workload and contract files to their successors upon the end of their rotating tour-of-duty
- a public email account that would allow multiple users to access responses to contract solicitations
- reliable network server capability for electronic file storage and email communications
- implementation of the SPS

**Transition Procedures.** The PCO CA did not have exit procedures in place to ensure efficient continuity of its contract administration operations. Military personnel assigned by the various services were deployed in rotations to support the PCO CA as contracting officers. At the time of our audit, the PCO CA had 46 contracting personnel who were assigned on a temporary basis. Tours-of-duty varied from 4 to 12 months.

Based on our observations, Air Force personnel comprised the majority of the contracting officers who were on-board during our audit. Those Air Force contracting officers were deployed for 4-month tours. Prior to September 2004, the Air Force assigned contracting personnel to support the former Coalition Provisional Authority for 3-month tours-of-duty. Personnel on 12-month assignments were usually contractors hired as contract specialists to aid the shorter-termed government contracting officers. As such, contract administration assignments to the PCO CA changed frequently under this staffing practice.

For example, one contracting officer stated that the contracting officer he replaced had already departed the PCO CA before he had arrived, leaving him to resolve the status of various contracts assigned to him. Another contracting officer stated that she, and three other new contracting officers, reported to the PCO CA to replace officers who had departed approximately a month earlier. An outstanding solicitation had been left without anyone assigned to complete the award process. Through discussions with PCO CA contracting personnel and our observations of the condition of the contract files, these deficiencies occurred because there were no written transition processes or procedures in place to ensure that departing contracting personnel transitioned workload to successor personnel. This prevented the effective continuity of contract administration when each tour-of-duty expired.

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<sup>4</sup> In its 2004 Annual Statement of Assurance, the PCO CA stated that it had established a central filing system both for hardcopy and electronic files to reduce time finding documents, increase response time, increase access, increase accuracy in reporting, and lead to better control.

**Public Email Account.** The PCO CA did not establish a public email account that would allow multiple contracting officers with proper permissions to access contractor proposals submitted in response to contract solicitations. Instead, responses were sent to and maintained in the individual email account of the contracting officer who issued the solicitation. If these documents were not electronically transferred by the issuing contracting officer, to a shared drive on the network server or to other personnel, the documents could not be accessed by the successor contracting officer when staffing rotations occurred.

For example, according to one contracting officer, his tour-of-duty began after the response period for a previously issued contract solicitation had closed, and the issuing contracting officer had departed. The contractor proposals had been received and were awaiting evaluation. However, the solicitation instructions directed contractors to submit their proposals to the email address of the issuing contracting officer. The successor contracting officer was unable to access this email account, and was told that access could not be provided because of Privacy Act issues. As a result, the successor contracting officer was unable to retrieve and review the previously submitted proposals, thereby causing the contract award to be delayed until the solicitation could be reissued and the resubmitted proposals were received in his email account for evaluation.

**Network Server Reliability.** The PCO CA was not assured that the network server would provide reliable access to email for transmitting contractor-related discussions or correspondence, or access to electronically-filed contract documents for retrieval. Information technology services were provided by the U.S. Central Command, Multi-National Force-Iraq, Communications Directorate. Some PCO CA contracting personnel stated that they maintained their files on their computer hard drives or external storage devices rather than the network server, citing network reliability problems. These problems prevented access to contract file folders stored in shared drives, or in some cases, caused the loss of contract-related documentation.

During our audit, we observed several instances of network problems preventing the transmittal of email correspondence to and from the contracting officer and contractor. In other cases, network problems prevented the contracting officers from accessing electronic contract files to perform their contract administration duties. We experienced the same types of reliability problems while conducting on-site field work at the PCO CA offices in Baghdad. Further, when we attempted to determine whether the contract files missing from our initial request had been stored on the external devices or hard drives of individual contracting officers, we were told that some contract files may have been permanently lost because of the accidental formatting of a contracting officer's hard drive. As a result of these network problems that were ongoing at the conclusion of our field work, the electronic storage and communications capabilities in support of SOP-CA 2004 contract administration requirements remained unreliable.

**Standard Procurement System.** Due to pending implementation decisions by the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology), the PCO CA could not implement the Department of Defense SPS acquisition product suite, including the Procurement Desktop Defense contract management module, in accordance with requirements of the Federal Acquisition Regulation Part 4 and the SOP-CA 2004.

Federal Acquisition Regulation Part 4 requires each executive agency to establish and maintain, for a period of 5 years, a computer file, by fiscal year, containing unclassified records of all procurements exceeding \$25,000, and to make it accessible to the public using Federal Procurement Data System (FPDS) Next Generation. When operational, the

SPS will provide the PCO CA with an automated interface to the FPDS. Until then, the PCO CA included these FPDS reporting requirements in SOP-CA 2004:

DD Form 350 – Contracting Officers must complete the Individual Contract Action Report, required for every contract action funded with appropriated dollars, greater than \$25,000 (\$200K in a declared contingency operation). Until such time as the SPS/PD2 [Procurement Desktop Defense] system is operational all forms will be submitted to [PCO] policy compliance for forwarding IAW [In Accordance With] DFARS [Defense Federal Acquisition Regulations] 253.204-70

DD Form 1057 – Monthly contracting Summary of Actions, is required for every contract action funded with appropriated dollars, less than \$25k (\$200K in a declared contingency operation). Until such time as the SPS/PD2 [Procurement Desktop Defense] system is operational all forms will be submitted to [PCO] policy and compliance for forwarding IAW [In Accordance With] DFARS [Defense Federal Acquisition Regulations] 253.204-71

With SPS, contracting officers would have had the capability to perform contract administration in an automated, streamlined, integrated, and efficient manner. SPS is an integrated desktop environment that supports the complete end-to-end procurement cycle from requirements definition/initiation through solicitation, offer evaluation, and award, to contract administration and closeout. It provides improved capabilities for managing funds and supporting all types of contract actions.

As a result of not implementing the SPS, contracting officers are unable to perform their contract administration duties in a streamlined, integrated, and automated manner. Lacking SPS, they had to perform their duties in a manually-intensive, time-consuming manner. According to one contracting specialist, not having the automated SPS capability adds to the time it takes to issue solicitations and award contracts. At the conclusion of our audit, PCO CA officials stated that they were trying to work out arrangements with the Army Corps of Engineers to possibly use their SPS product.

**Reliability of Data.** The controls over the identification of records were inadequate. We identified systemic weaknesses in the reliability of the data in the PCO CA contracting actions database. The PCO CA used this database as a means to calculate the status of contractual obligations and payments, and to provide reports to PCO headquarters. This database was also the source of the information provided for our Quarterly Report<sup>5</sup> and Semiannual Report to the U.S. Congress, July 30, 2004.

For this audit, we used a report generated from the contracting actions database as a means of identifying contracts awarded with IRRF and our sample was selected from this database. However, our review of the contract files selected in our sample identified discrepancies in the data contained in the PCO CA database. Specifically, our initial review of the report identified three contracts that were awarded with fund types other than IRRF. As a result, we had to modify our randomly selected sample, by eliminating contracts that were awarded using other than IRRF funds and those contracts being administered by contracting offices other than the PCO CA, and replacing them with additional contracts to reach our random sample size of 48 contract files.

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<sup>5</sup> Public Law 108-106, as amended, requires that we report to Congress each quarter, among other information, a detailed summary of all obligation and expenditure ... associated with reconstruction and rehabilitation activities in Iraq.

Further, contract W911S0-04-A-0004 was recorded incorrectly as W91180-04-A-0004, as indicated, making it difficult to locate the correct contract file. As a result, we could not rely on the accuracy of data contained in the PCO CA contracting actions database.

## **Contract Language**

Of the 37 available contract files we reviewed, 5 files lacked complete contracts. Of the 32 remaining contracts, with 3 exceptions, 29 contracts contained language that adequately support SOWs, specified contract deliverables, and clearly stated negotiated contract terms. The 3 exceptions had the following deficiencies:

- one contract lacked an adequate SOW
- one contract lacked specific contract deliverables
- one lacked clearly negotiated terms

We used Military Handbook 245D, which provides guidance for Department of Defense personnel in creating a SOW. We used our judgment in determining whether each contract met standards in accordance with the guidance. Of the 32 contracts reviewed, 24 were for the purchase of supplies and equipment. Those contracts typically listed item numbers from catalogs, or a particular model, and did not require an elaborate SOW.

We concluded that the PCO CA generally awarded contracts that contained adequately prepared SOWs, specific contract deliverables, and clearly negotiated contract terms.

## **Subsequent Events**

At the conclusion of our audit field work in October 2004, PCO CA officials acknowledged the problems concerning the initial missing contract files and those missing from our audit sample, stating that the files may never be completely accounted for, but vowed to make every effort to track them down.

Subsequently, the PCO CA was able to locate some of the missing contract files from the listing that caused the initiation of this audit, as well as from our audit sample.

**Initial Missing Contract Files.** At the time of this audit, the PCO CA also attempted to locate the 14 previously unaccounted for contracts that were included in the contract status listing provided to us for inclusion in our Quarterly Report and Semiannual Report to the U.S. Congress, July 30, 2004. The PCO located and provided 7 of the 14 contracts prior to completion of our fieldwork on October 30, 2004. The PCO CA continued to search for the seven remaining missing contract files and was able to provide six additional contract files – four in December 2004 and two in January 2005.

The PCO CA determined that an invalid contract number recorded in the PCO CA database was the cause of one missing file and that the number of missing contracts should have only been 13. According to PCO CA officials, the seven contracts located were on external storage devices, referred to as memory sticks, which were left behind by previous contracting officers. However, when we reviewed these seven contract files, we identified one instance of the PCO CA awarding two separate contracts under the same



contract award number.<sup>6</sup> This duplication occurred because an administrative modification to correct the contract numbering was not made.

**Resolution of Missing Files from the Audit Sample.** The PCO CA provided 9 of the 10 missing requested contract files subsequent to the completion of our field work – 6 in December 2004 and 3 in January 2005. Our review of these files disclosed that all 9 files lacked adequate supporting documentation required by the SOP-CA 2004. Specifically, 7 of the 9 files contained only a signed copy of the contract; 1 file contained only 2 pages of the contract; and the remaining file contained some, but not all of the supporting documentation, including only 2 pages of the contract.

## Management Actions

During our review, the PCO CA appointed a new Principle Assistant Responsible for Contracting. We provided an initial briefing to the Principle Assistant Responsible for Contracting, on October 5, 2004, to discuss our preliminary findings. Subsequently, the Principle Assistant Responsible for Contracting instituted a file clean-up day and required all contracting personnel to search desk drawers and surrounding areas for all contract files. Files found were then labeled and filed numerically in the appropriate file drawer. Although files found were properly labeled and organized numerically, the Principle Assistant Responsible for Contracting could not assure us that all files had been located.

Because management actions were still ongoing at the time our audit work was concluded, we could not assess the effectiveness of those actions. In our opinion, the results of these actions may aid in the elimination of the conditions identified in this report.

## Conclusion

The PCO CA generally awarded contracts that contained adequately prepared SOWs, specific contract deliverables, and clearly negotiated contract terms. However, the audit identified significant deficiencies in contract administration processes and controls. Consequently, there was no assurance that the contract file data was available, complete, consistent, and reliable or that it could be used to effectively monitor and report the status of contracted project activity for the IRRF.

**Potential Legal Ramifications.** The lack of dependable information may also adversely affect the U.S. Government's ability to properly administer contracts, enforce contractor compliance, and defend its interests in disputes involving:

- contractor noncompliance or nonperformance
- false claims
- recoupment of overpayments
- underpayment claims

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<sup>6</sup> The FPDS requires that each reporting agency assign a unique identifier for every contract, purchase order, basic ordering agreement, basic agreement, and blanket purchase agreement that is reported to the FPDS. Agencies are also required to have in place, no later than October 1, 2003, a process that would ensure that each Procurement Instrument Identifier reported to the FPDS is unique, Government-wide, and will remain so for at least 20 years from the date of contract award.

These significant deficiencies could result in the loss by the U.S. Government of a historical accounting of the efforts conducted to provide relief and reconstruction to the people of Iraq.

**Material Management Control Weaknesses.** The audit identified material management control weaknesses in the administration of contract files. Consequently, there was no assurance that fraud, waste, and abuse did not occur in the management and administration of IRRF contracts.

## **Recommendations, Management Comments, and Audit Response**

Although the original recommendations in a draft of this report were directed to the Director, Project and Contracting Office (PCO), the Commander, Joint Contracting Command - Iraq (JCC-I), and the Director, PCO have each responded to this report. This occurred because of organizational changes that have redefined IRRF contracting responsibilities since the performance of this audit, including moving the Head of Contracting Activity function from the PCO to the JCC-I. As such, the recommendations were redirected to include both officials.

**We recommend that the Commander, Joint Contracting Command - Iraq, or Director, Project and Contracting Office, respectively:**

**1. Ensure that hardcopy and electronic contract files are properly maintained to attain availability, completeness, consistency, and reliability of the files.**

**Management Comments.** The Director, PCO, deferred the response to the Commander, JCC-I. The Commander, JCC-I, concurred and is taking corrective action. With the support of the Defense Contract Management Agency (DCMA), JCC-I is scanning all hardcopy files and storing them electronically so that they may be found. DCMA is auditing all non-construction contract files prior to closure, while the Gulf Region Division of the Army Corps of Engineers is auditing all construction contract files. The Principle Assistant Responsible for Contracting has augmented the staff of DCMA with five Iraqi Nationals to assist in cataloging and ensuring storage of electronic and hardcopy files. The Commander, JCC-I, estimated the completion date to be mid fiscal year 2006.

**2. Develop and implement transitional operating procedures to ensure the efficient transition of contract files between departing and successor contracting officers.**

**Management Comments.** The Director, PCO, deferred the response to the Commander, JCC-I. The Commander, JCC-I, concurred and took corrective actions. The Commander, JCC-I, is currently training Iraqi Nationals to perform contract administration functions. In addition, the JCC-I personnel officer is engaging with service assignment officers to try to overlap arrival dates of incoming and outgoing contracting officers, and to attempt to provide a timeframe to hand-off open contract actions prior to a contracting officer's departure. The Commander, JCC-I, stated that the corrective actions were completed as of April 29, 2005.

**3. Establish a public email account to enable multiple contracting officers to electronically access contract solicitation information.**

**Management Comments.** The Commander, JCC-I, deferred the response to the Director, PCO. The Director, PCO, concurred and took corrective action. On February 10, 2005, as part of the PCO and JCC-I migration from the Centcom.mil network to the pco-iraq.net network, a joint JCC-I/DCMA public email box was established to support the electronic submittal and retrieval of contractor proposals by multiple contracting officers with proper permissions. The Director, PCO, stated that the corrective actions were completed as of April 27, 2005.

**4. Ensure that a reliable network server provides access to electronically filed contract documentation, and for transmitting and receiving email communications.**

**Management Comments.** The Commander, JCC-I, deferred the response to the Director, PCO. The Director, PCO, concurred and took corrective action. On February 10, 2005, PCO and JCC-I were migrated from the Centcom.mil network to a more robust PCO information technology infrastructure. While there will continue to be incidents of electronic failure, the overall reliability and capacity of the new system will rectify the lack of capability and/or performance issues identified in the finding. The Director, PCO, stated that the corrective actions were completed as of April 27, 2005.

**5. Implement the Standard Procurement System for automated contract administration capability.**

**Management Comments.** The Director, PCO, deferred the response to the Commander, JCC-I. The Commander, JCC-I, concurred and is taking corrective actions. The JCC-I is currently setting up a Standard Procurement System in one sector, Security and Justice, to begin utilizing the system on a small scale. The Principle Assistant Responsible for Contracting Reconstruction at JCC-I is utilizing the “crawl-walk-run” concept of start-up to ensure the system works and people are trained before full execution. Delays in deploying a Standard Procurement System have been related to decisions pending from the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) as to the preferred (workable) architecture of the Standard Procurement System in Iraq. The Commander, JCC-I, estimated the completion date for implementing the initial scale Standard Procurement System to be between June and July 2005.

**6. Prepare administrative contract modifications to correct duplicate contract award numbers.**

**Management Comments.** The Director, PCO, deferred the response to the Commander, JCC-I. The Commander, JCC-I, concurred and took corrective actions. DCMA was tasked in October 2004 with contract administration but did not effectively arrive in theatre until December 2004. As a result of ongoing DCMA efforts, there are now no duplicate contract numbers. The Commander, JCC-I, stated that the corrective actions were completed as of April 29, 2005.

**7. Verify and correct all instances of deficiencies detected as a result of the audit paying specific attention to database errors such as the identification of Iraq Relief and Reconstruction Fund and non-Iraq Relief and Reconstruction Fund funded contracts.**

**Management Comments.** The Director, PCO, deferred the response to the Commander, JCC-I. The Commander, JCC-I concurred and is taking corrective actions. DCMA is auditing all non-construction contracts, and as a part of its reconciliation and contract closeout process, it is ensuring that compliance and payment actions are completed and that contract files are complete. The Gulf Region Division of the Army Corps of Engineers is managing the construction contracts in the same manner. The Commander, JCC-I, estimated the completion date to be mid fiscal year 2006.

**Audit Response.** The Commander, JCC-I, and the Director, PCO, comments to all recommendations are fully responsive. During the course of the audit, the audit team informed the former PCO Head of Contracting Activity of the deficiencies being detected. As a result, the PCO initiated corrective actions as noted in the management comments. The JCC-I is heading corrective actions underway.

## Appendix A. Scope and Methodology

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We initiated this audit because the Coalition Provisional Authority Project Management Office<sup>7</sup> could not produce documentation for 14 contracts, valued at more than \$211 million, as identified in information provided for inclusion in our Quarterly Report and Semiannual Report to the U.S. Congress, July 30, 2004. This documentation should have been maintained by the Project Management Office, and subsequently the Project Contracting Office (PCO), in accordance with their roles and responsibilities to oversee and manage funds provided by the Iraq Relief and Reconstruction Fund.

We conducted an on-site review at the Project and Contracting Office Contracting Activity (PCO CA), located in Baghdad, Iraq, between September 2 and October 30, 2004. In addition, as the PCO CA located and provided missing contracts to our headquarters office, we continued our evaluation of those documents through March 15, 2005, subsequent to the conclusion of our fieldwork.

We evaluated documents, procedures, and processes at the PCO CA. We conducted interviews with PCO managers and staff to discuss the procedures and processes used by the PCO CA to administer contracts funded by the Iraq Relief and Reconstruction Fund.

As a basis for our review and evaluation, we used:

- provisions of Public Law 108-106, “Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004”
- Federal Acquisition Regulation Part 4, “Administrative Matters”
- Defense Federal Acquisition Regulations Supplement Part 204
- Military Handbook 245D
- PCO CA Standard Operating Procedures-Contracting Activity 2004
- PCO CA organizational charts, as of September and November 2004
- contracting officer authorizations and warrants

We conducted interviews with the PCO Head of the Contracting Activity and the Principal Assistant Responsible for Contracting, a Sector Chief, five contracting officers, and two contract specialists. In addition, we examined the general processes and procedures used by the PCO CA to maintain hardcopy and electronic contract files. Our review included contracts with effective dates from February 2004 through August 2004.

Using Ranuni, a statistician provided a sample of 48 contract files, in simple random order with September 13, 2004 as the random number seed, from a universe of 168 contract files. The universe was a list of 168 contract files provided to us by the PCO CA. That technique used is in accordance with SAS v9.1, an acceptable methodology.

We reviewed 37 of 48 randomly selected contract files requested from the PCO CA between September 2 and October 30, 2004. The 37 contract files were valued at more than \$184 million. The PCO CA could not locate 10 of the 48 files, and 1 file was

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<sup>7</sup> Now the Project and Contracting Office.

removed from our sample because it was under review with legal counsel. For a description of 37 contract files that were reviewed during this audit, see Appendix D.

For our assessment of contract language, we evaluated documentation in 32 of 37 contract files to judgmentally assess the adequacy of the preparation of the statements of work, the clarity of contract terms, and the specificity of contract deliverables. The remaining five contract files lacked a complete copy of the contract, preventing their evaluation. To access the completeness of the contract files, we used the PCO CA Standard Operating Procedures-Contracting Activity 2004 to identify 7 of 13 file content documents that were listed as minimum requirements for inclusion in contract files. We based our selection of these seven attributes on what we judged to be most important in providing a clear history of the procurement cycle from solicitation to contract closeout.

We used our sample of 37 contract files to test for file completeness by determining whether the minimally required documents were contained in each file.

For our assessment of administrative processes, we evaluated the PCO CA processes and controls related to contract execution, distribution, reporting, and disposition of files. Specifically, we reviewed and observed the effectiveness of processes, procedures, and technical capabilities in place to address rotational contracting officer staffing; email usage; network reliability; and automated contract administration support.

We performed this performance audit from September 2004 through March 2005 in accordance with generally accepted government auditing standards.

**Scope Limitation.** Of the 48 contract files we randomly selected, the PCO CA was unable to locate 10 contract files prior to the completion of our audit fieldwork on October 30, 2004. One file was removed from our sample when it was determined to be under review with PCO legal counsel. Also, 5 of the 37 files we reviewed lacked complete contracts; limiting our ability to determine if the contract language for those contracts issued by the PCO CA contained adequately prepared statements of work, clearly negotiated contract terms, and specific contract deliverables. The PCO CA management control program was not reviewed, due to restricted audit resources and associated time constraints while auditing in a war zone.

**Use of Computer-Processed Data.** The PCO CA used an Access database to record its contracting actions. We did not perform tests to verify the validity or reliability of the database. We relied on the information contained in that database in selecting our sample of contract files for review. However, our review of the contract files selected in our sample identified discrepancies in the data contained in the PCO CA database. As a result, we had to modify our randomly selected sample, by eliminating contracts that were awarded using funds provided by other than the Iraq Relief and Reconstruction Fund and those contracts being administered by contracting offices other than the PCO CA, and replacing them with additional contracts to reach our random sample size of 48 contract files.

## **Prior Coverage**

During 2003 and 2004, the Government Accountability Office (GAO), the Office of Inspector General Department of Defense (OIG DoD), and the Special Inspector General for Iraq Reconstruction (formerly the Office of the Inspector General, Coalition Provisional Authority (CPA-IG)) issued five reports discussing the award of contracts for Iraq reconstruction. The GAO reports can be accessed over the Internet at

<http://www.gao.gov>. The OIG DoD reports can be assessed at <http://www.dodig.osd.mil/audit/reports>. Special Inspector General for Iraq Reconstruction reports can be located over the internet at <http://www.sigir.mil>.

GAO-04-605, "Fiscal Year 2003 Contract Award Procedures and Management Challenges," June 1, 2004

IG DoD Report No. D-2004-057, "Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington," March 18, 2004

CPA-IG Report No. 04-004, "Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority," July 28, 2004

CPA-IG Report No. 04-005, "Award of Sector Design-Build Construction Contracts," July 23, 2004.

CPA-IG Report No. 04-013, "Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award." July 27, 2004

## Appendix B. Other Matters of Interest

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Other matters of interest identified by our audit work are discussed below.

**Personnel Management.** The Project and Contracting Office Contracting Activity (PCO CA) was understaffed by 23 contracting personnel according to its organization chart dated September 2004. Although the PCO CA was authorized to staff 69 contracting personnel (26 civilian, 24 contractors, and 19 military), the on-board staff was comprised of 46 personnel (8 civilian, 19 contractors, and 19 military). During the audit, we observed that the PCO CA contracting personnel worked 7 days per week. PCO CA personnel also told us that they worked 13 to 15 hours each day, 6 days a week; with a shortened shift of 6 to 11 hours on the 7<sup>th</sup> day.

As one contracting officer stated to us, a contracting officer in the United States would normally have a team of contracting specialists to assist in the procurement process. However, in Iraq, contracting officers work the majority of contract actions from start to finish without assistance.

The Center for Disease Control issued a report, “Overtime and Extended Work Shifts: Recent Findings on Illnesses, Injuries and Health Behaviors”, April 2004, that summarized 52 published research reports and 4 studies focused on the effects of long workdays. According to the report, those individuals working extended shifts reported that the 9th to 12th hours of work were associated with feelings of decreased alertness and increased fatigue, lower cognitive function, and declines in vigilance on task measures. When 12-hour shifts were combined with other work-related demands, a pattern of more adverse findings were detected across studies.

We are planning to commence an audit to determine whether U.S. Government organizations’ recruitment and deployment processes for qualified personnel supporting Iraq reconstruction is effective. We will concentrate our efforts on the effectiveness of legislative and regulatory guidance and processes used to identify personnel requirements, the methods to recruit and retain the personnel, and the procedures to measure recruitment and retention success.

**Records Management.** The conditions noted in this report concerning the maintenance, completeness, and accuracy of records pertaining to contracts awarded for reconstruction activities in Iraq are a cause for concern.

Accordingly, we are planning to commence an audit to determine whether U.S. organizations have established adequate requirements, systems, and processes to manage and maintain records to facilitate future audits and investigations of the identification and use of funds provided by the Iraq Relief and Reconstruction Fund.



## Appendix C. Project and Contracting Office

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National Security Presidential Directive 36, “United States Government Operations in Iraq,” May 11, 2004, established the Project and Contracting Office (PCO).

**Project and Contracting Office Mission.** National Security Presidential Directive 36 directed the PCO to provide acquisition and project management support with respect to activities in Iraq and to the Chief of Mission, as requested by the Secretary of State and heads of other departments and agencies. On June 22, 2004, the Deputy Secretary of Defense established the PCO within the Department of the Army and directed the PCO to provide support related to the close-out of the Coalition Provisional Authority. The PCO was made responsible for all activities associated with asset, financial, program, and project management and for managing both construction and non-construction activities across six major sectors:

- buildings, education, and health care
- electricity
- oil
- public works and water
- security and justice
- transportation and communications

**Project and Contracting Office Contracting Activity Structure.** The Head of the Project and Contracting Office Contracting Activity (PCO CA) is appointed by the Assistant Secretary of Army (Acquisition, Logistics and Technology). The PCO CA is responsible for providing acquisition and project management support for contracts awarded for Iraq relief and reconstruction activities, including those funded by the Iraq Relief and Reconstruction Fund, as requested by the Secretary of State and heads of other departments and agencies.

The PCO CA Head appoints the Principal Assistant Responsible for Contracting, who establishes policy and procedures for the contracting office. The Principal Assistant Responsible for Contracting is responsible for authorizing the issuance of letters of appointment and warrants that delegate contracting authority to the contracting officers.

The PCO CA has established the Director, Regional Contracting Office, as the official responsible for the daily operations of the forward-deployed Regional Contracting Office in Iraq. The contracting officers have the authority to enter into, administer, or terminate contracts and are the only officials authorized to bind the U.S. Government. Military and civilian personnel serve as contracting officers. They are supported by contract specialists in preparing solicitations and other contracting documents leading up to contract award.

## Appendix D. Contract Files Reviewed

A sample of 37 contract files was reviewed during this audit, and is listed below.

Contract Number	Contract Effective Date	General Scope of Work*	Contract Value
W9126G-04-D-0002 TO 1	02/04/2004	Transition planning	\$600,000.00
W914NS-04-D-0005 DO1	03/23/2004	Mobilization	\$2,487,603.00
W914NS-04-D-0022 TO 2	04/21/2004	Water Supply System Design, Site Survey	\$42,806,604.00
W914NS-04-M-0108	04/26/2004	Airport Signs	\$42,967.50
W914NS-04-M-0102	04/27/2004	Valves & Hoses	\$2,297,520.00
W914NS-04-M-0110	05/01/2004	Top Loading Container Handlers	\$1,498,000.00
W914NS-04-D-0006 TO5	05/12/2004	Site Assessment	\$5,000,000.00
W914NS-04-M-0120	05/20/2004	Digital Plotter	\$18,540.00
W914NS-04-D-0126	05/20/2004	Fire Fighting Flash Hood and Gloves	\$484,652.80
W914NS-04-M-2348	05/26/2004	Chainette Suspension	\$5,023,214.90
W914NS-04-D-0142	06/08/2004	Not Available	\$4,355,700.00
W914NS-04-M-0115	06/09/2004	Locomotive Spare Parts	\$6,083,621.02
W914NS-04-M-0103	06/01/2004	Franking Machine	\$368,142.00
W914NS-04-D-0145	06/15/2004	Operations/Logistics Movement Control Center	\$1,750,000.00
W914NS-04-M-0112	06/16/2004	Heavy Duty Container Trailers	\$636,368.00
W914NS-04-M-0111	06/16/2004	100 Ton Mobile Harbor Cranes	\$6,492,376.00
W914NS-04-D-0139	06/18/2004	Thermal Imager Camera & Bolt Cutter	\$1,304,402.00
W914NS-04-M-2362	06/29/2004	Electrical Workers Overhead Line Tools	\$37,789.50
W914NS-04-M-2363	06/29/2004	Electric Worker Overhead Tool	\$194,000.00
W914NS-04-M-9000	07/02/2004	Ear plugs, AK-47 sight adj. tool, Target pasties	\$16,750.00
W914NS-04-M-9002	07/02/2004	CLP (50 Gallons)	\$2,200.00
W914NS-04-D-0119 TO 12	07/05/2004	Ear Plugs and First Aid Kits	\$31,223.00
W914NS-04-M-2364	07/06/2004	Electrical Test Cable Conversion Van	\$2,145,330.00
W914NS-04-M-0134	07/11/2004	Intermodal Container Handler	\$1,718,000.00
W914NS-04-C-9010	07/12/2004	Air Conditioners and Folding Tables	\$14,710.00
W914NS-04-D-0010 TO 9	07/18/2004	Electrical Lines	\$39,021,180.00
W914NS-04-M-0123	07/20/2004	Fire Rescue Boat	\$945,000.00
W914NS-04-M-0109	07/22/2004	Locomotive Spare Parts	\$1,459,284.97
W9126G-04-D-0001 TO 26	07/22/2004	Repair and upgrade oil products pipelines	\$35,287,472.00
W914NS-04-M-0116	07/23/2004	Railroad Turnout	\$21,180,000.00
W914NS-04-M-0151	07/25/2004	Armored Car 1997 Mercedes-Benz S-Class	\$150,650.00
W914NS-04-M-0141	07/28/2004	Armored Vehicle	\$1,702,454.00
W914NS-04-M-0154	08/12/2004	Dodge Vehicles	\$82,000.00
W914NS-04-M-0158	08/12/2004	6 Chevy Astro Cargo Van	\$161,946.00
W914NS-04-M-2376	08/16/2004	Portable Computers	\$29,988.00
W914NS-04-M-0153	08/25/2004	Fire Trucks/Pumper	\$2,870,840.00
W914NS-04-M-0156	08/26/2004	Toyota Camry Vehicles	\$70,380.00
<b>TOTAL</b>			<b>\$184,015,208.69</b>

\* Description of scope of work may not be all inclusive●

## Appendix E. Acronyms

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CPA-IG	Coalition Provisional Authority Inspector General
DCMA	Defense Contract Management Agency
FPDS	Federal Procurement Data System
GAO	Government Accountability Office
IRRF	Iraq Relief and Reconstruction Fund
JCC-I	Joint Contracting Command - Iraq
OIG DoD	Office of the Inspector General Department of Defense
PCO	Project and Contracting Office
PCO CA	Project and Contracting Office Contracting Activity
SOP-CA 2004	Standard Operating Procedures Contracting Activity 2004
SOW	Statement of Work
SPS	Standard Procurement System

## **Appendix F. Report Distribution**

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### **Department of State**

Secretary of State  
Senior Advisor/Coordinator for Iraq  
U.S. Ambassador to Iraq  
Director, Iraq Reconstruction Management Office  
Inspector General, Department of State

### **Department of Defense**

Deputy Secretary of Defense  
Director, Defense Support Office-Iraq  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Inspector General, Department of Defense

### **Department of the Army**

Assistant Secretary of the Army (Acquisition, Logistics and Technology)  
Principal Deputy to the Assistant Secretary of the Army, Acquisition, Logistics and Technology  
Deputy Assistant Secretary of the Army for Policy and Procurement  
Director, Project and Contracting Office  
Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General of the Army

### **U.S. Central Command**

Commander, Multi-National Force-Iraq  
Commander, Joint Contracting Command - Iraq  
Commander, Joint Area Support Group - Central

### **Other Defense Organizations**

Director, Defense Contract Audit Agency

### **Other Federal Government Organizations**

Director, Office of Management and Budget  
Comptroller General of the United States  
Inspector General, Department of the Treasury  
Inspector General, Department of Commerce  
Inspector General, Health and Human Services  
Inspector General, U.S. Agency for International Development

# **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

## **U.S. Senate**

- Senate Committee on Appropriations
  - Subcommittee on Defense
  - Subcommittee on Foreign Operations
- Senate Committee on Armed Services
- Senate Committee on Foreign Relations
  - Subcommittee on Near Eastern and South Asian Affairs
  - Subcommittee on International Operations and Terrorism
- Senate Committee on Homeland Security and Governmental Affairs
  - Subcommittee on Government Efficiency and Financial Management
  - Subcommittee on Financial Management, the Budget, and International Security

## **U.S. House of Representatives**

- House Committee on Appropriations
  - Subcommittee on Defense
  - Subcommittee on Foreign Operations, Export Financing and Related Programs
- House Committee on Armed Services
- House Committee on International Relations
  - Subcommittee on Middle East and Central Asia
- House Committee on Government Reform
  - Subcommittee on Government Efficiency and Financial Management
  - Subcommittee on National Security, Emerging Threats and International Relations

## **Appendix G. Audit Team Members**

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The Office of the Assistant Inspector General for Auditing, Office of the Special Inspector General for Iraq Reconstruction, prepared this report. The staff members who contributed to the report include:

Brian M. Flynn

Karen D. Bell

William J. Whitehead

Lynne M. Champion

Leslie M. Barnes

# Management Comments, Commander, Joint Contracting Command - Iraq

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## DEPARTMENT OF THE ARMY JOINT CONTRACTING COMMAND - IRAQ APO AE 09316

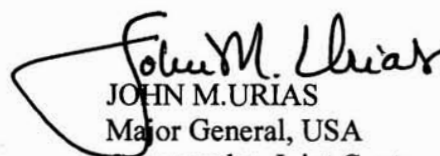
MNFI-JCC

29 April 2005

MEMORANDUM FOR Office of the Special Inspector General for Iraq Reconstruction,  
400 Army Navy Drive, Arlington, VA 22202

SUBJECT: Draft Report on Administration of Iraq Relief and Reconstruction Fund Contract Files

1. Reference the Special Inspector General for Iraq Reconstruction Draft Report on Administration of Iraq Relief and Reconstruction Fund Contract Files, Project No. D2004-DCPAAF-0037.
2. JCC-I concurs with all the findings of the report and has taken or is in the process of taking steps to correct the reported deficiencies.
3. General comments and clarifications to the draft report in addition to JCC-I management comments to the draft report findings are provided at Enclosure A. JCC-I management comments to each of the audit recommendations are provided at Enclosure B.

  
JOHN M. URIAS  
Major General, USA

Commander, Joint Contracting Command - Iraq  
& Head of Contracting Activity

2 Enclosures

1. Enclosure A: General Comments
2. Enclosure B: Specific Audit Responses

## **GENERAL COMMENTS, CLARIFICATIONS AND PCO MANAGEMENT COMMENTS TO AUDIT FINDINGS**

### **General Comments and Clarifications**

1. The Project and Contracting Office (PCO) has continuously evolved since it was first organized last year. As it is currently organized, PCO includes the contracting personnel supporting the reconstruction mission on its Joint Manning Document, but these slots are being transferred to the new Joint Contracting Command-Iraq, established via FRAGO 09-668, Contracting and Organizational Changes, dated November 12, 2004. Contracting authority runs from the Head of the Contracting Activity (HCA), Joint Contracting Command-Iraq (JCC-I) through the DASA-P&P to the Army Acquisition Executive who is the Honorable Claude Bolton. JCC-I handles the DFI as well as Iraq Relief and Reconstruction Fund (IRRF) contracts. PCO has no command and control over JCC-I.
2. The Contracting team has always acted in the best interests of the mission at hand. During Operation Iraqi Freedom, the organization faced many challenges typically not encountered in a stateside environment and under peacetime conditions. The environment here in Iraq during the war had a debilitating affect on the quality of the statements of work and contracts in general. Additionally, the Contracting operation lacked a homogenous and stable work force, a legal office to review all solicitations, adequate office space with enough office supplies to manage all of the administration requirements, and the right type of office equipment and normal business hours with well rested staff. Things taken for granted as normal business procedures such as site visits were virtually impossible due to the ever-present security threats. Contracting Officers could not investigate site conditions prior to writing the Statements of Work or in exercising low level oversight on a project. Also, acceptance and management of supplies and services was difficult and at times impossible due to travel restrictions and security issues. This hampered every facet of the acquisition process, not to mention the language barriers in theater. Finally, crisis management was the order of the day manifested in extremely short Procurement Acquisition Lead Times (PALT) times effectively inhibiting standard contract procedures for over 700 contract awards in the month of June 2004 alone.

Indeed if it were not for a professional, can do, dedicated workforce from every branch of service, reserve component, civilian government agency, and outsourced contractor support, the needs of the Warfighter would not have been fulfilled.



## **ENCLOSURE A**

### **JCC-I Management Comments to Draft Report Findings**

The draft report findings, by finding section, and associated JCC-I management comments are detailed below.

#### **Hardcopy File Maintenance**

3. The PCO CA [Head of the Project and Contracting Office Contracting Activity] did not properly maintain hardcopy contract files in a standard or business manner in accordance with the requirements of SOP-CA 2004 to ensure the availability, completeness, consistency, or reliability of contract documentation.

- JCC-I concurs with the finding and has taken correction action.
- The reference linking the Head Contracting Activity to PCO is incorrect. The Head of the Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, JCC-I is providing the response to this finding.
- The initial focus was on awarding contracts to get critical supplies and services out to the warfighters in the field. Everything was in short supply, especially time. There were not even enough file cabinets for proper contract storage nor enough supplies for normal operations. Compounding the problems was the fact that some services refused to send their members for longer than four months at a time causing a continuous and almost unworkably high turnover rate.

#### **Electronic File Folder Maintenance**

4. The PCO CA did not properly maintain electronic contract files in a standard or business manner in accordance with the requirement of SOP-CA 2004 to ensure the availability, completeness, consistency, or reliability of contract documentation.

- JCC-I concurs with the finding and has taken corrective action.
- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, JCC-I is providing the response to this finding.
- As stated above, the initial focus was on awarding contracts to get critical supplies and services out to the warfighters in the field. Resources such as time, personnel and training negated the oversight required to ensure good electronic folders in accordance with SOP-CA 2004.

### **Transition Procedures**

5. The PCO CA did not have exit procedures in place to ensure efficient continuity of its contract administration operations.

- JCC-I concurs with the finding. During the time frame of the audit, Country Clearances were difficult to obtain from the Department of State due to very limited billeting space. Country Clearances are tied directly to billeting space. The Department of State has also directed that when one person leaves one person is allowed to receive a Country Clearance.
- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, JCC-I is providing the response to this finding.

### **Public Email Account**

6. The PCO CA did not establish a public email account that would allow multiple contracting officers with proper permissions to access contractor proposals submitted in response to contract solicitations.

- This finding should be directed to PCO. Prior to February 10, 2005, PCO and JCCI were on the Centcom.mil network. The Centcom.mil network did not have a public email box.
- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

### **Network Server Reliability**

7. The PCO CA did not ensure that the network server would provide reliable access to email for transmitting contractor-related discussions, correspondence, or to electronically filed contract documents for retrieval.

- This finding should be directed to Centcom.mil and their failure to provided adequate IT support as the host activity. All IT desktop and network services were provided to PCO and JCC-I by MNF-I C6, the Communication Directorate, until February 11, 2005. PCO and JCC-I, as users of another military organization's computer assets, were unable to 'ensure' anything as it related to the level of service provided to them by others. The causation unsatisfactory network performance issues are not a server related issue but rather the summation of multiple IT infrastructure components.

- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

### **Standard Procurement System**

8. The PCO CA did not implement the Department of Defense SPS acquisition product suite, including the Procurement Desktop Defense contract management module, in accordance with requirements of the Federal Acquisition Regulation Part 4 and the SOP-CA 2004.

- JCC-I concurs with the finding. However, the finding should be directed to the Department of the Army for failing to make a decision and give the PCO CA (now JCC-I) direction on how Army Acquisition desired the system to be configured.
- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

### **Reliability of Data**

9. The controls over the identification of records were inadequate.

- JCC-I concurs with the finding and has taken corrective action.
- Unreliability of data is directly related to data entry by numerous organizations throughout the Theater of Operations. The requirements were so numerous and the personnel so short that a cohesive data entry checks and balances was not emplaced.

### **Subsequent Events – Initial Missing Contract Files**

10. We identified one (1) instance of the PCO CA awarding two (2) separate contracts under the same contract award number.

- JCC-I concurs and has taken corrective action.
- Duplicate numbers were awarded because the contracts were being awarded at record pace and in decentralized contracting offices using the same contract numbering system.

## ENCLOSURE B

### RECOMMENDATIONS AND JCC-I MANAGEMENT COMMENTS

**Recommendation 1:** We recommend that the Director, Project and Contracting Office, ensure that hardcopy and electronic contract files are properly maintained to attain availability, completeness, consistency, and reliability of the files.

**Response:** JCC-I concurs and is taking corrective action to ensure that hardcopy contract files are properly maintained in a standard or business manner in accordance with the requirements of SOP-CA 2004. Because the contracting authority resides within JCC-I, any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

JCC-I with the support of DCMA, is currently scanning all hard files and storing them electronically so that they may be found using Microsoft Search engine. DCMA is auditing all non-construction contract files prior to closure while the Gulf Region Division of the Corps of Engineers is auditing all construction contract files. A plan to ensure compliance with all regulations and scanning of all documents is underway. The PARC has augmented the staff of DCMA with 5 Iraqi Nationals to assist in cataloging and ensuring storage of electronic files as well as hard copies of files.

JCC-I estimates that all contract files will be updated by mid fiscal year 2006.

**Recommendation 2:** We recommend that the Director, Project and Contracting Office, develop and implement transitional operating procedures to ensure the efficient transition of contract files between departing and successor contracting officers.

**Response:** JCC-I concurs with the finding and has taken corrective action. JCCI is currently training Iraqi Nationals to perform contract administrative functions. The personnel officer is engaging with service assignment officers to try and overlap arrival dates of incoming and outgoing officers to try and provide a time frame to hand off open contract actions prior to the contracting officer's departure. However, it should be noted that the Command does not have the authority to determine when incoming replacements arrive or depart but will nevertheless try to influence the schedule whenever possible.

The contracting authority resides within JCC-I. Consequently, any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

The recommended actions are considered completed as of April 29, 2005, the date of this response.

**Recommendation 3:** We recommend that the Director, Project and Contracting Office, establish a public email account to enable multiple contracting officers to electronically access contract solicitation information.

**Response:** This finding should be directed to PCO. JCC-I is a user of PCO's network.

**Recommendation 4:** We recommend that the Director, Project and Contracting Office, ensure that a reliable network server provides access to electronically filed contract documentation for transmitting and receiving email communications.

**Response:** This finding should be directed to PCO. JCC-I is a user of PCO's network

**Recommendation 5:** We recommend that the Director, Project and Contracting Office, implement the Standard Procurement System for automated contract administration capability.

**Response:** JCC-I concurs with the recommendation and is taking corrective action.

Deployment of SPS to support the CPA contracting activity mission was first discussed as early as November 2003. The three specific deployment options identified were; (1) do nothing, (2) deploy as a stand-alone system, or (3) joint-use of SPS hosted by USACE. In early 2004, the Department of Army (DA) shipped equipment to Baghdad to activate a stand-alone system. Missing components were procured. The system was energized and tested. At that point, the use of SPS in Baghdad was put on hold pending a decision by DA as to which topology they intended to deploy (stand alone or shared USACE) given the application limitation of sharing data between various SPS databases. DA continues to vacillate on the final topology it plans to deploy in Baghdad. Connectivity and latency testing has been completed between JCC-I and USACE as a preamble to deploying SPS in a shared USACE environment. Elsewhere, attempts are being made to address the capability of importing data from existing stand-alone systems. Unfortunately, discussions continue as to the preferred (workable) architecture of one instance or multiple instances of SPS with Iraq. Regardless, JCCI is currently setting up a SPS in one sector Security and Justice to begin utilizing the system on a small scale. S&J sector was chosen as start up sector due to its concentration of Air Force personnel who on the whole are more experienced than the other services in its execution. JCCI PARC Reconstruction is utilizing the "crawl-walk-run concept of start up ensuring the system works and people are trained before full up execution. Barring unforeseen circumstances from the situation in Iraq, will hopefully be using SPS on a small, initial scale (one team of 5-10 individuals) by the June-July 2005 timeframe.

The contracting authority resides within JCC-I. Consequently, any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

The recommended actions will be completed by fiscal year 2005.

**Recommendation 6:** We recommend that the Director, Project and Contracting Office, prepare administrative contract modifications to correct duplicate contract award numbers.

**Response:** JCC-I concurs and has taken corrective action. DCMA was tasked in October 2004 with contract administration but did not effectively arrive in theatre until December 2004. As a result of ongoing DCMA efforts there are now no duplicate contract numbers.

The contracting authority resides within JCC-I. Consequently, any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

All recommended actions are considered completed as of April 29, 2005, the date of this response.

**Recommendation 7:** We recommend that the Director, Project and Contracting Office, verify and correct all instances of deficiencies detected as a result of the audit paying specific attention to data base errors such as the identification of Iraq Relief and Reconstruction Fund and non-Iraq Relief and Reconstruction Fund funded contracts.

**Response:** JCC-I concurs and is taking corrective action. DCMA was tasked in October 2004 with contract administration but did not effectively arrive in theatre until December 2004. DCMA is auditing all non-construction contracts and as a part of its reconciliation and contract closeout process it is ensuring compliance and payment actions are completed, and contract files are complete. GRD is managing the construction contracts in the same manner.

The contracting authority resides within JCC-I. Consequently, any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

All recommended actions will be completed by mid fiscal year 2006.



# Management Comments, Director, Project and Contracting Office - Iraq



DEPARTMENT OF THE ARMY  
PROJECT AND CONTRACTING OFFICE – IRAQ  
APO AE 09316




April 27, 2005

MEMORANDUM FOR Office of the Special Inspector General for Iraq  
Reconstruction, 400 Army Navy Drive, Arlington, VA 22202

SUBJECT: Draft Report on Administration of Iraq Relief and Reconstruction Fund  
Contract Files

1. Reference the Special Inspector General for Iraq Reconstruction Draft Report on Administration of Iraq Relief and Reconstruction Fund Contract Files, Project No. D2004-DCPAAF-0037.
2. The reported findings are directed to the Head of the PCO Contracting Activity. However, the Head Contracting Activity is a Joint Contracting Command-Iraq (JCC-I) function. With the exception of the findings and recommendations regarding a public email account and network server reliability, PCO defers the responses to the findings and recommendations to JCC-I.
3. PCO concurs with the public email account and network server reliability recommendations in the report. PCO has taken steps to correct the reported deficiencies.
4. General comments and clarifications to the draft report in addition to PCO management comments to the draft report findings are provided at Enclosure A. PCO management comments to each of the audit recommendations are provided at Enclosure B.

  
DANIEL E. LONG JR.  
Major General, USA  
Director, Project and Contracting Office

ENCLOSURES

Enclosure A: General Comments

Enclosure B: Specific Audit Responses

## ENCLOSURE A

### GENERAL COMMENTS, CLARIFICATIONS AND PCO MANAGEMENT COMMENTS TO AUDIT FINDINGS

#### General Comments and Clarifications

1. The Project and Contracting Office (PCO) has evolved since it was first organized last year. As it is currently organized, PCO has a contract responsibility. The contracting "chain-of-command" however falls under the DASA-P&P. Contracting authority runs from the Head of the Contracting Activity (HCA), Joint Contracting Command-Iraq (JCC-I) through the DASA-P&P to the Army Acquisition Executive who is the Honorable Claude Bolton. FRAGO 09-668, Contracting and Organizational Changes, dated November 12, 2004, created the separate organization known as the JCC-I to perform the contracting function. JCC-I handles the DFI as well as Iraq Relief and Reconstruction Fund (IRRF) contracts. PCO has no command and control over JCC-I.

#### PCO Management Comments to Draft Report Findings

The draft report findings, by finding section, and associated PCO management comments are detailed below.

#### **Hardcopy File Maintenance**

2. The PCO CA [Head of the Project and Contracting Office Contracting Activity] did not properly maintain hardcopy contract files in a standard or business manner in accordance with the requirements of SOP-CA 2004 to ensure the availability, completeness, consistency, or reliability of contract documentation.

- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, PCO defers the response to this finding to JCC-I.

#### **Electronic File Folder Maintenance**

3. The PCO CA did not properly maintain electronic contract files in a standard or business manner in accordance with the requirement of SOP-CA 2004 to ensure the availability, completeness, consistency, or reliability of contract documentation.

- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, PCO defers the response to this finding to JCC-I.



### **Transition Procedures**

4. The PCO CA did not have exit procedures in place to ensure efficient continuity of its contract administration operations.

- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, PCO defers the response to this finding to JCC-I.

### **Public Email Account**

5. The PCO CA did not establish a public email account that would allow multiple contracting officers with proper permissions to access contractor proposals submitted in response to contract solicitations.

- PCO concurs and has taken corrective action. Prior to February 10, 2005, PCO and JCCI were on the Centcom.mil and CPA-IQ. Org networks. These networks did not have a public email box.
- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

### **Network Server Reliability**

6. The PCO CA did not ensure that the network server would provide reliable access to email for transmitting contractor-related discussions, correspondence, or to electronically filed contract documents for retrieval.

- This finding should be directed to MNF-I C6, the Communication Directorate. All IT desktop and network services were provided to PCO and JCC-I by MNF-I C6 until February 11, 2005. Prior to that time, PCO and JCC-I were users of another organization's computer assets and were not in a position to ensure the reliability of the network server.
- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function.

### **Standard Procurement System**

7. The PCO CA did not implement the Department of Defense SPS acquisition product suite, including the Procurement Desktop Defense contract management module, in accordance with requirements of the Federal Acquisition Regulation Part 4 and the SOP-CA 2004.

- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, PCO defers the response to this finding to JCC-I.

### **Reliability of Data**

8. The controls over the identification of records were inadequate.

- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, PCO defers the response to this finding to JCC-I.

### **Subsequent Events – Initial Missing Contract Files**

9. We identified one (1) instance of the PCO CA awarding two (2) separate contracts under the same contract award number.

- The reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Contracting authority resides within JCC-I. Consequently, PCO defers the response to this finding to JCC-I.

## ENCLOSURE B

### RECOMMENDATIONS AND PCO MANAGEMENT COMMENTS

**Recommendation 1:** We recommend that the Director, Project and Contracting Office, ensure that hardcopy and electronic contract files are properly maintained to attain availability, completeness, consistency, and reliability of the files.

**Response:** Contracting authority resides within JCC-I. Any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Consequently, PCO defers the response to this recommendation to JCC-I.

**Recommendation 2:** We recommend that the Director, Project and Contracting Office, develop and implement transitional operating procedures to ensure the efficient transition of contract files between departing and successor contracting officers.

**Response:** Contracting authority resides within JCC-I. Any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Consequently, PCO defers the response to this recommendation to JCC-I.

**Recommendation 3:** We recommend that the Director, Project and Contracting Office, establish a public email account to enable multiple contracting officers to electronically access contract solicitation information.

**Response:** PCO concurs and has taken corrective action. On February 10, 2005, as part of the PCO and JCC-I migration off of the Centcom.mil network onto the pco-iraq.net network, a joint JCC-I/DCMA public email box was established to support the electronic submittal and retrieval of contractor proposals by multiple contracting officers with proper permissions.

All recommended actions are considered completed as of April 27, 2005, the date of this response.

**Recommendation 4:** We recommend that the Director, Project and Contracting Office, ensure that a reliable network server provides access to electronically filed contract documentation for transmitting and receiving email communications.

**Response:** PCO concurs and has taken corrective action. On 10 February 2005, PCO and JCC-I were migrated off the Centcom.mil network onto a new, more robust PCO IT infrastructure. While there will continue to be incidents of electronic failure, the overall reliability and capacity of the new system will rectify the lack of capability and/or performance issues identified in the finding.



All recommended actions are considered completed as of April 27, 2005, the date of this response.

**Recommendation 5:** We recommend that the Director, Project and Contracting Office, implement the Standard Procurement System for automated contract administration capability.

**Response:** Contracting authority resides within JCC-I. Any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Consequently, PCO defers the response to this recommendation to JCC-I.

**Recommendation 6:** We recommend that the Director, Project and Contracting Office, prepare administrative contract modifications to correct duplicate contract award numbers.

**Response:** Contracting authority resides within JCC-I. Any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Consequently, PCO defers the response to this recommendation to JCC-I.

**Recommendation 7:** We recommend that the Director, Project and Contracting Office, verify and correct all instances of deficiencies detected as a result of the audit paying specific attention to data base errors such as the identification of Iraq Relief and Reconstruction Fund and non-Iraq Relief and Reconstruction Fund funded contracts.

**Response:** Contracting authority resides within JCC-I. Any reference linking the Head Contracting Activity to PCO is incorrect. The Head Contracting Activity function is a JCC-I function. Consequently, PCO defers the response to this recommendation to JCC-I.